

**MINUTES**  
**OF THE**  
**GOVERNMENT CONTRACT**  
**REVIEW COMMITTEE**

**September 8, 1998**

The Government Contract Review Committee met on Tuesday, September 8, 1998 at 10:00 AM, in Room 125 of the Capitol Annex. Representative Marshall Long, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Marshall Long, Chairman; Senator Denny Nunnelley; and Representatives Bob Heleringer, Drew Graham, and Jesse Crenshaw.

Guests: Duane Dringenburg, Timothy Veno, and Ellen Hessen.

LRC Staff: Michael Meeks, Joseph Hood, Kim Eisner, and Nancy Smith.

A motion was made by Representative Graham and seconded by Representative Heleringer to approve the Minutes of the August 13, 1998 meeting. The motion passed unanimously.

A motion was made by Representative Heleringer and seconded by Senator Nunnelley to approve the Routine Contracts. The motion passed unanimously.

A motion was made by Representative Graham and seconded by Representative Heleringer to approve the Amendments. The motion passed unanimously.

A motion was made by Representative Graham and seconded by Senator Nunnelley to approve the Routine K.A.P.S. contracts. The motion passed unanimously.

A motion was made by Senator Nunnelley and seconded by Representative Graham to approve the K.A.P.S. amendments. The motion passed unanimously.

A motion was made by Senator Nunnelley and seconded by Representative Graham to approve the Routine Memoranda of Agreement's. The motion passed unanimously.

A motion was made by Representative Graham and seconded by Senator Nunnelley to approve the Memoranda of Agreement Amendments, except for Ohio Valley Educational Cooperative, 19463-A; Bowling Green Independent Board of Education, 19642; Ohio County Board of Education, 19658; Harlan County Board of Education, 20144; Ohio Valley Education Cooperative, 19463-B; Harrison County Schools, 19600; Peggy Blanton, 19607; Eleanor Comer, 19612; Karen Chaney, 19627; Henry County Board of Education, 19628; Maurice Chappell, 19644; Sharon Hatton, 19645; Linda Klemhora, 19651; Brenda Blackburn, 19659; Diana Ingram, 19660; Pat Seiber, 19667; Mary Lauer, 20022; Jean Miller, 20028; Duane Lambert, 20148; JoAnn Mosier, 20224; Jean Clemons, 20227; Lucretia Young Woodford, 20230; Sarethia McFadden, 20234; Steve Schenck, 20260; Joe Hewlett, 20263; John Garrison, 20264; Ladonna Simpson, 20265; and Patricia Johnson, 20269. The motion passed unanimously.

The following ROUTINE contracts  
were APPROVED:

AUDITOR OF PUBLIC ACCOUNTS:

Pricewaterhouse Coopers, LLP, 990294; Tony Levy & Company, 990299.

EASTERN KENTUCKY UNIVERSITY:

Institute for Human Services Management, 99-025; Harold Cottrell, 99-021; New Perspectives, 99-024; Robert Illback, 99-030.

ECONOMIC DEVELOPMENT,

CABINET FOR:

Potter & Company, 990298.

FINANCE AND ADMINISTRATION

CABINET - Finance / Engineering:

Senler Campbell & Associates, 995270.

KENTUCKY EMPLOYERS

MUTUAL INSURANCE:

GVP Network & Systems Consulting, 99-001.

KENTUCKY HEALTH

PURCHASING ALLIANCE:

West KY Group Benefits, 990293; MedLink, Inc., 990290; PlanChoice, Inc., 990288; The Morgan Group, 990289; American Chambers Life Insurance Company, 990291; Sheehy & Associates, 990292.

KENTUCKY HERITAGE COUNCIL:

Louisville Design Center, 990300.

KENTUCKY HIGHER EDUCATION  
ASSISTANCE AUTHORITY:

KPMG Peat Marwick, 911.

KENTUCKY HISTORICAL SOCIETY:

Mo' Better Marketing & Communications, 990203.

KENTUCKY HOUSING CORPORATION:

Woods Research, Inc., 99-4; Pricewaterhouse Coopers, LLP, 99-3; John Wall and Associates, Inc., 99-6; Leonard Smith & Associates, Inc., 99-5.

KENTUCKY STATE POLICE,

DEPARTMENT OF:

Seiller & Handmaker, LLP, 990265.

LEGISLATIVE ETHICS

COMMISSION:

George F. Rabe, KLEC-1.

PERSONNEL CABINET:

Tilford, Dobbins, Alexander, Buckaway & Black, 990301.

TRANSPORTATION CABINET:

Presnell Associates, Inc., 980850; Reed, Weitkamp, Schell & Vice, 980888; Brighton Acquisition Company, 980880; 980816; Municipal Engineering Company, Ag# 149899; Ventry Engineering, Ag# 129899; Hall-Harmon Engineers, Inc., Ag# 099899; Bernardin, Lochmueller & Associates, Inc., Ag# 139899; BRW, Inc., Ag# 119899; Ag# 109899; Brighton Engineering Company, Ag# 029899; Jordan, Jones & Goulding, Inc., Ag# 079899; T.H.E. Engineers, Inc., Ag# 059899; WMB, Inc., Ag# 069899; Ag# 089899; H. W. Lochner, Inc., Ag# 049899; Vaughn & Melton Consulting Engineers, 980817; HNTB Corporation, Ag# 669798; Johnson, Depp & Quisenberry, Ag# 039899.

TREASURY:

Murphy & Enlow, 990222.

UNIVERSITY OF KENTUCKY:

James W. Potts Architects, A991070; Biagi, Chance, Cummins, London, Titzer, inc., 991080; James B. Evans & Associates, A991060; Hamilton HMC, K99-146; Northern Kentucky Family Health Center, Inc., K99-147; Alliance Systems & Programming, Inc., K99-148; The Greystone Group, Inc., K99-145.

UNIVERSITY OF LOUISVILLE:

Ogden, Newell & Welch, 99-36.

WORKERS COMPENSATION FUNDING COMMISSION:

Fund Evaluation Group, 990064; Potter & Company, 990273; The Bank of New York, 990279; National Asset Management, 990281; Western Asset Management, 990280; Janus Capital Corporation, 990278.

WORKFORCE DEVELOPMENT CABINET:

Employment & Training Institute, Inc., 990277.

The following AMENDMENTS  
were APPROVED:

FINANCE AND ADMINISTRATION

CABINET - Finance / Engineering

Browning, Day, Mullins, Dierdorf, Inc., 985000; James B. Evans & Associates, 985095; GeoTrans, Inc., 985023.

TRANSPORTATION CABINET:

Walton & Vance, T70773; 980647; Fuller, Mossbarger, Scott & May, Ag# 169697; Gary R. Murphy, 11302; Roger C. Meade, SRA, 960262; J. M. Crawford & Associates, Ag# 449596; William R. Cox, 003382; Balke Engineers, Ag # 478485; Safford & Lanphear, 970921; 980652; Reynolds, Johnston, Hinton, Thomas & Potter, 70919; 980642; Municipal Engineering Company, Ag# 409596; Logan & Gaines, T70767; 980640; Edward Worland, Jr., P.S.C., T70776; 980644; Carl J. Bensinger & Associates, T70759; 980636; W. David Shearer, Jr., PSC, T70775; 980651; McBrayer, McGinnis, Leslie & Kirkland, T70768; 980641; Willie Prater, 5373; American Engineers, Inc., Ag# 069192; Vaughn & Melton Consulting Engineers (KY), Inc., Ag# 729394; Tom Waldrop, 10329; Wilbur Smith & Associates, Ag# 338485; Boyd, Watkins and Patrick, T70762; 980637; R. J. Robinson, 08356; Skees Engineering, Inc., Ag# 399394; Ferreri & Fogle, T70764; 980638; HNTB Corporation, Ag# 179798; Ag# 309697; Presnell Associates, Inc., Ag# 519697; 509697; Florence & Hutcheson, Ag# 069697; Ag# 298687; Hazelrigg & Cox, T70766; 980639; Wicker & Associates, 70774; 980646; WMB, Inc., Ag# 069798; American Consulting Engineers, PLC, Ag# 088687; Sutton, Hicks & Lucas, 980648; Taliaferro & Mehling, 980118; 980643; Sutton and Hicks, 980119; Brighton Engineering Company, Ag# 219394.

UNIVERSITY OF KENTUCKY:

Staggs & Fisher Consulting Engineers, A96-1310; Keane, Inc., K99-132.

WORKFORCE DEVELOPMENT CABINET:

James B. Adams, 990024; Daryl Martin, 990027.

The following ROUTINE K.A.P.S. contracts

were APPROVED:

EDUCATION, DEPARTMENT OF

Wurzbach, Linda, PS991188; Hehr, George, PS991189.

HEALTH SERVICES, CABINET FOR

Davis PhD, Norman A., PS991184; Marquette Poynter, PS991187; Adminastar Federal Ky, PS995152; Healthcare Associates of, PS995113.

INSURANCE, DEPARTMENT OF

Lindley-Myers, Chlora A., PS991182; Mccullough, Robert A., PS991183; Milliman And Robertson, PS995232; Tillinghast, PS995233; Robert W. Klein, PS995255; M Wilson And Assoc., Inc., PS995261; Hughes, John N., PS995259; Greenawalt, Geoffrey B., PS995260.

JUSTICE CABINET

Huskey & Associates, PS995269; Judith A. Lovelace, PS991192.

KENTUCKY INFRASTRUCTURE AUTHORITY

Peck, Shaffer and Williams, PS991186.

The following K.A.P.S. AMENDMENTS  
were APPROVED:

FINANCE AND ADMINISTRATION CABINET

Mckinney, Edward L., PS995105; R E B And Associates, PS995238.

The following ROUTINE Memoranda of Agreement  
were APPROVED:

DEPARTMENT OF JUVENILE JUSTICE:

Laurel County Board of Education, 20442; Calloway County Board of Education, 20449; Cabinet for Health Services, 20451.

EDUCATION, DEPARTMENT OF:

Whitley County Board of Education, 20553; Franklin County Schools, 20427; Calloway County Board of Education, 20429; Carroll County Schools, 20430; Ashland Independent Board of Education, 20431; Simpson County Board of Education, 20443; Berea Independent Board of Education, 20465; Anderson County Board of Education, 20535; Owensboro Independent Board of Education, 20536; Harrison County Board of Education, 20537; Danville Ind. Board of Education, 20554; Owensboro Ind. Board of Education, 20555; Owensboro Ind. Board of Education, 20556; Green Co. Board of Education, 20557; Owsley Co. Board of Education, 20558; Mason Co. Board of Education, 20559; Bardstown Ind. Board of Education, 20560; Jessamine Co. Schools, 20561; Lincoln Co. Board of Education, 20562; Franklin Co. Public Schools, 20563; Newport Ind. Board of Education, 20564; Perry Co. Board of Education, 20565; Northern KY Adult Reading, 20566; Winchester/Clark Co. Literacy, 20567; The David School Inc., 20568; Ohio Valley Educational Cooperative, 20569; Barren Co. Board of Education, 20570; KY Valley Education cooperative, 20571; Ohio County Fiscal Court, 20572; Caldwell Co. Board of Education, 20573; Woodford Co. Adult Education, 20574; Marion Co. Board of Education, 20575; Bowling Green Ind. Board of Education, 20576; Garrard Co. Board of Education, 20577; Appalachian Communities for Children, 20588; Russell Co. Board of Education, 20590; Jefferson County Board of Education, 20667.

#### FAMILIES AND CHILDREN, CABINET FOR:

Department for Mental Health & Mental Retarda, 20440; Kentuckiana Regional Planning & Development Agency, 20502; Workforce Development Cabinet, 20508.

#### FINANCE AND ADMINISTRATION CABINET:

City of Mayfield, 20521; City of Radcliff, 20621; City of Wilder, 20623; Cumberland County Board of Education, 20624; Bourbon County Schools, 20625; County of Breckinridge, 20626; Hardin County Fiscal Court, 20628; Jessamine Co. Fiscal Court, 20629; Hopkinsville Christian County Tourism & Conv Comm., 20630.

#### HEALTH SERVICES, CABINET FOR

Department of Local Government, 20481; Department for Community Based Services, 20501.

#### INFORMATION SYSTEMS, DEPARTMENT OF

University of Louisville, 20633.

#### JUSTICE CABINET

Workforce Development Cabinet, 20479; Eastern Kentucky University, 20639.

#### TRANSPORTATION CABINET

Lexington Fayette Urban County Government, M1004; Lincoln County Fiscal Court, M1005; City of Lancaster, M1006; Tourism Dev Cabinet Dept of Travel, M1007; Kentuckiana Regional Planning & Devpt., M1008; Kentuckiana Regional Planning & Devpt., M1009; OKI Regional Council of Governments, M1010; OKI Regional Council of Governments, M1011.

#### KY DEPT FOR ADULT EDUCATION AND LITERACY

Boone Co Board of Education, 20592; Carroll Co Board of Education, 20593; Adair Co Board of Education, 20594; Anderson County Board of Education, 20595; Middlesboro Ind Board of Education, 20596; Knox Co Board of Education, 20597; Jessamine Co Schools, 20598; Knox Co Board of Education, 20599; Marshall Co Board of Education, 20600; Muhlenberg Co Board of Education, 20601; Owen Co Board of Education, 20602; Meade Co Literacy, 20603; Campbellsville Ind Board of Education, 20604; Ashland Ind Board of Education, 20605; Henry County Board of Education, 20606; Hart County Board of Education, 20613; KVEC - Perry County, 20614; Harrison County Board of Education, 20615; Estill County Board of Education, 20616; Hopkins County Board of Education, 20617; Hopkins County Board of Education, 20618.

#### LOCAL GOVERNMENT, DEPARTMENT FOR

Kentucky Housing Corporation, 20634; Bracken County, 20542; Bourbon County, 20543.

#### NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

U. S. Geological Survey, 20454; Covington Independent Schools, 20445; Southeast Technical College, 20507; Gateway District Health Department, 20453.

#### PARKS, DEPARTMENT OF

Pine Mountain Area Development Project, 20631.

#### REVENUE CABINET

Kentucky Lottery Corporation, 20494.

#### WESTERN STATE HOSPITAL

KY Emergency Room Physicians, 10382; Nationwide Medical Services, 10383.

The following MOA AMENDMENTS  
were APPROVED:

FAMILIES & CHILDREN, CABINET FOR

Barren River ADD, 19852; Barren River ADD, 19858.

HEALTH SERVICES, CABINET FOR

Seven Counties Services, Inc., 19928; Pennyroyal MH/MR, 19989; Lake Cumberland, 19990.

JUSTICE CABINET - KY STATE POLICE

University of Kentucky, 12668.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET

Casey County Conservation District, 18121; Warren County Schools, 18150; Scott County Conservation District, 18152; KY Community and Technical College System, 19205; Jefferson County Fiscal Court, 19510; Calloway County Conservation District, 16213; Calloway County Conservation District, 17338; Franklin County Conservation District, 18122; Calloway County Conservation District, 18719; Lexington/Fayette Urban Government, 19101; City of Paintsville, 19107; City of Benton, 19440; Tennessee Valley Authority, NREPC0008; City of Corydon, 19116.

WORKFORCE DEVELOPMENT CABINET

KY Tech North Central Region, 17509.

The following MOA AMENDMENTS  
were DEFERRED:

EDUCATION, DEPARTMENT OF

Ohio Valley Educational Cooperative, 19463-A; Bowling Green Independent Board of Education, 19642; Ohio County Board of Education, 19658; Harlan County Board of Education, 20144; Ohio Valley Education Cooperative, 19463-B; Harrison County Schools, 19600; Peggy Blanton, 19607; Eleanor Comer, 19612; Karen Chaney, 19627; Henry County Board of Education, 19628; Maurice Chappell, 19644; Sharon Hatton,



19645; Linda Klemhora, 19651; Brenda Blackburn, 19659; Diana Ingram, 19660; Pat Seiber, 19667; Mary Lauer, 20022; Jean Miller, 20028; Duane Lambert, 20148; JoAnn Mosier, 20224; Jean Clemons, 20227; Lucretia Young Woodford, 20230; Saretha McFadden, 20234; Steve Schenck, 20260; Joe Hewlett, 20263; John Garrison, 20264; Ladonna Simpson, 20265; Patricia Johnson, 20269.

Chairman Long asked that Cabinet for Health Services representatives address the committee about the Sapiant contract. Chairman Long stated that his concern was primarily over various reports in several newspapers throughout the Commonwealth about the Sapiant Corporation, and that he was concerned about the possibility that, even if Sapiant did not collect any money it would get well paid a percentage of any money collected under the terms of the contract. Mr. Veno stated that Sapiant will be given a percentage of the debt collections. Chairman Long stated that Sapiant has now made a proposal to be a Medicaid administrator. Ms. Hessen stated that Sapiant did not have a contract with Region 8 to administer Medicaid, and that the article merely referenced some interest in bidding on the administrative services, but the cabinet has made it clear that there would be a conflict of interest. Chairman Long stated that he would be concerned about somebody conducting the administrative services and also the collection services. He cautioned the cabinet on allowing a vendor to police itself, stating that it would be frowned upon. Ms. Hessen stated that the cabinet had that same concern.

Chairman Long asked the representatives to explain the contract. Mr. Veno stated that about one year ago, he and others approached the Medicaid Department within their cabinet to look at better ways to identify fraud and abuse. The cabinet has worked with the Federal Health Care Financing Administration and implemented some of their initiatives, but they discovered that the cabinet did not have the requisite computer technology and statisticians to make investigative functions or fraud abuse detection more efficient. A request for proposal was developed. Initially the contract was designed so that this company would provide to the cabinet certain leads on fraud. Currently, most fraud detection is received from the Medicaid fraud hotline. Mr. Veno stated that part of this contract was for collection on Medicaid fraud, and that Sapiant had proposed in the response to the RFP a twenty-five percent contingency fee on amounts collected. Mr. Dringenburg explained the payment portion of the contract and provided an example based upon collection of one hundred dollars.

Chairman Long asked if the contract was for \$24,000.00 plus the contingency fee. Ms. Hessen stated that she believed that the contract was for up to \$24,000.00 for costs incurred. Chairman Long stated that this was the primary reason the committee did not detect a problem when it was first submitted for approval. Chairman Long asked about the anticipated collections on this contract. Mr. Veno stated that Sapiant would produce various leads for the cabinet, the cabinet will meet with Medicaid, the Attorney General's Office, the U.S. Attorney's Office and look from the initial list and see what is suspected to be criminal fraud and abuse. At that stage, those cases would be referred to the appropriate law

enforcement jurisdiction. Also, the cabinet will look at some of the cases independently, but there will probably be more cases generated out of the system than either the cabinet, the Attorney General, or the U.S. Attorney's office would be able to handle. Those cases will then go to the Sapient contractor for collection. Ms. Hessen stated that the beauty of a contingency fee agreement arrangement is that there is motivation to collect and to perform well for the Commonwealth, and anything that they collect would be over and above what the Commonwealth has been able to collect with the current resources. Chairman Long asked about the cabinet's current collections staff. Ms. Hessen stated that the cabinet has a very limited staff of individuals, but is hoping that this contractor will augment what the cabinet has done in the past. Chairman Long provided a hypothetical situation whereby fraud was perpetrated, and asked which agency would get the referral and whether Sapient would be paid. Mr. Dringenburg provided a response to the hypothetical. Ms. Hessen stated that cabinet representatives were going to meet monthly with representatives of the U.S. Attorney and the Attorney General to discuss some of these cases to make sure that the cases are being delegated to the appropriate entity. Chairman Long stated that the Program Review and Investigations Committee would be reviewing this contract, and stated his belief that the cabinet probably needed someone like this to collect the monies, but he wanted to make sure that the cabinet was not creating a honeypot whereby excessive fees would be generated to the benefit of the vendor. Ms. Hessen stated that it would be a win win for everybody. Mr. Veno stated that every time they identify an overpayment, they have to notify the federal government and pay their share back within 60 days. Mr. Dringenburg stated that this contract and the cabinets' increased efforts would serve as a deterrent to fraud and abuse in the Medicaid program. Representative Heleringer shared with the committee, a personal experience that he had with the Medicaid Fraud Unit, and asked about augmentation of the unit. Mr. Veno responded in the affirmative.

Chairman Long directed the committees' attention to the Legislative binders, and the information from Ron Bingham on the EMPOWER Kentucky program that he had provided.

Chairman Long announced that the next meeting would be held on September 23, 1998, 10:00 a.m.

The meeting adjourned at 10:35 a.m.